

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

*

CRESCENT DEVELOPMENT ENTERPRISES, LLC *

And * FILE NO. 2017-0937

ADAM GOWAYED *

Respondents. *

* * * * *

CONSENT ORDER

WHEREAS, the Maryland Division of Securities ("Division"), pursuant to the authority granted by section 11-701 of the Maryland Securities Act, Title 11, Md. Code Ann., Corps. & Ass'ns (2014 Repl. Vol. and 2018 Supp.) (the "Act") undertook an investigation into possible violations of the Act by Crescent Development Enterprises, LLC ("Respondent Crescent,"), and by Adam Gowayed ("Respondent Gowayed"), together the "Respondents," with regard to the offers and sales of securities in Maryland; and

WHEREAS, Respondent Crescent, currently a Maryland-based limited liability company, which is located in Baltimore, Maryland, is the sponsor and promoter of offerings of securities by issuers related to Respondent Crescent (the "Crescent Issuers"); and

WHEREAS, Respondent Gowayed, a resident of Baltimore, Maryland, is an executive officer, manager and promoter of offerings of securities by the Crescent Issuers; and

WHEREAS, from about August 2013 to about October 2017, issuers sponsored by Respondent Crescent and managed and promoted by Respondent Gowayed offered and sold securities in Maryland in the form of limited liability company interests; and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the "Commissioner") has determined that Respondents may have engaged in acts or practices constituting violations of Sections 11-401, 11-402, 11-501 and 11-503.1 of the Act; and

WHEREAS, section 11-503.1 of the Act requires that a notice filing be submitted to the Division for a transaction effected in Maryland under Regulation D, Rule 506; and

WHEREAS, Respondents offered and sold securities in seven different offerings in Maryland for which Respondents failed to file timely Form D notice filings; and

WHEREAS, an additional two of the Crescent Issuers' securities offered and sold by Respondents in the State did not meet the requirements for a securities exemption or preemption; and

WHEREAS, on behalf of those two issuers, Respondents offered rescission to the investors in those offerings; and

WHEREAS, the investors in the two offerings did not accept the rescission offerings made; and

WHEREAS, in settlement of any proceeding that could be brought based upon the Respondents' violation of the Act, the Commissioner has determined that it is in the public interest to issue this Consent Order; and

WHEREAS, Respondent admits to the jurisdiction of the Commissioner as set forth herein, but neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Consent Order, and consents to the entry of this Consent Order by the Commissioner.

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over the Respondents who sponsored and promoted and offered or sold securities pursuant to sections 11-801 of the Act.

2. Respondents voluntarily and permanently waive any right to any additional hearing and appeal under the Act and the rules and regulations promulgated thereunder with respect to this Consent Order.

3. In the event that judicial intervention in this matter is sought by any party, Respondents consent to the jurisdiction of the Circuit Court for Baltimore City over any such proceeding and as to itself.

II. PARTIES

4. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.

5. Respondent Crescent is the sponsor of the Crescent Issuers and is currently located in Baltimore, Maryland.

6. Respondent Gowayed is an executive officer, and the Manager of Respondent Crescent, Manager of the Crescent Issuers through Respondent Crescent, and Promoter of the Crescent Issuers, and currently resides in Baltimore, Maryland.

III. FINDINGS OF FACT

The Commissioner finds the following facts:

7. Respondents are the sponsors and promoters of each Crescent Issuer's securities offering, which are comprised of nine private equity limited liability company offerings including one investment fund program in Maryland.

8. Respondents acted as the sponsors and Respondent Gowayed acted as manager (through Respondent Crescent) and promoter and sales agent of the Crescent Issuers from about August 2013 to about October 2017, and the Crescent Issuers offered securities for sale in Maryland.

9. The following entities are the Crescent Issuers:

Crescent Development 005, LLC

Crescent Development 008, LLC

Crescent Development 009, LLC

Crescent Development 010, LLC

Crescent Development Ghanim, LLC

Crescent Development Zamin, LLC

CD Shuja, LLC

CD Shuja 2, LLC

Crescent Development Opportunity Fund 2, LLC

10. Other than CD Shuja, LLC, which was not eligible to claim an exemption for which a notice filing would have been required, each of these Crescent Issuers failed to file timely the requisite notice filings with the Division.

11. Altogether, between about August 2013 and about October 2017, the nine Crescent Issuers effected a total of 29 transactions in Maryland with 12 Maryland investors totaling \$913,750 of sales of securities.

12. Two of the offerings did not comply with any exemption. First, CD Shuja, LLC did not meet the definition of "local issuer" and, therefore, was not able to rely on the self-executing local issuer exemption under section 11-602(9).

13. Second, Crescent Development Opportunity Fund 2, LLC did not meet the requirements of Regulation D, Rule 505 or Rule 506. The private placement memorandum that Respondents used did not contain the requisite financial and business operations information and, therefore, was not in compliance with federal law. In addition, Respondents did not file a timely notice filing with the Division.

14. Most of the Crescent Issuers that offered and sold securities in Maryland made late Form D filings and paid the filing and related late fees, after being notified by the Division

notified of possible violations of the Act.

15. Because of the lack of an exemption or preemption for the CD Shuja, LLC and Crescent Development Opportunity Fund 2, LLC offerings, the Division required the Issuers to offer rescission to the Maryland investors in such entities.

16. On October 15, 2019, Respondents offered rescission to CD Shuja's investor in the amount of \$145,000, which the investor rejected.

17. On October 15, 2019, Respondents offered rescission to two investors in the amounts of \$25,000 and \$146,250, which the investors rejected.

18. Respondents have represented that none of the investors accepted the offer.

IV. CONCLUSIONS OF LAW

The Commissioner makes the following conclusions of law:

19. The interests in the Crescent Issuers' offerings sold in Maryland constitute "securities" within the definition at section 11-101(s) of the Act.

20. Respondents violated Section 11-501 of the Act by offering and selling securities that were neither registered nor exempt from registration in Maryland and that were not federal covered securities.

21. Respondent Gowayed violated Section 11-401 and 11-402 of the Act by acting as an unregistered broker-dealer or agent.

22. Respondents violated section 11-503.1 of the Act by failing to file notice filings with the Division for sales of the federal covered securities for the Crescent Issuers.

V. CONSENT TO SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree, that:

23. Respondents shall permanently cease and desist from violating sections 11-401, 11-402, 11-501, and 11-503.1 of the Act;

24. With respect to any future offer or sale of securities in Maryland, Respondents shall comply fully with the Act; and

VI. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

25. If Respondents fail to comply with any term of this Consent Order, the Commissioner may declare this Consent Order to be null and void. The Commissioner may then proceed with full administrative and/or judicial proceedings to enforce this Consent Order

against such Respondents, or to sanction either for violating an order of the Commissioner, and may take any other action authorized under the Act or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or the court finds that Respondents have violated this Consent Order, the facts and the violations of the Act set forth and incorporated in this Consent Order shall be deemed admitted for purposes of such proceeding and may be introduced into evidence therein against the Respondent.

VII. MODIFICATION OF TERMS OF THIS CONSENT ORDER

26. The terms of this Consent Order may only be modified by a subsequent order issued by the Commissioner.

VIII. JURISDICTION RETAINED

27. Jurisdiction shall be retained by the Commissioner for the purpose of enabling any party to this Consent Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

The provisions of this Consent Order shall become binding when this Consent Order has been executed by each Respondent and is issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED:

**Commissioner's Signature on File
w/Original Document**

December 20, 2019

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

By: Crescent Development Enterprises, LLC

By: Adam Gowed
Its: Managing Member

On this ____ day of _____, 2019, personally appeared _____
signer of the foregoing Consent Order, who did duly acknowledge to me that he was
authorized to execute the same on behalf of _____, and acknowledged the same
to be his free act and deed.

Notary Public

My Commission Expires

By: Adam Gowed

On this ____ day of _____, 2019, personally appeared _____
signer of the foregoing Consent Order, who did duly acknowledge to me that he was
authorized to execute the same on behalf of _____, and acknowledged the same
to be his free act and deed.

Notary Public

My Commission Expires